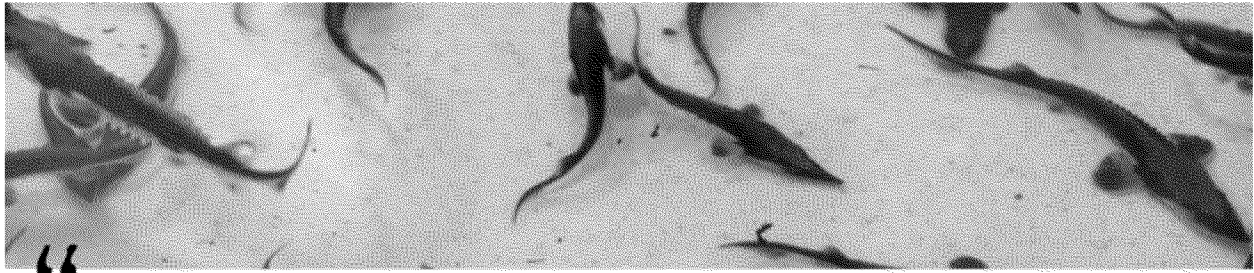


Will Michigan DEQ Reject Fraudulent Mine Permit?



“ Apparently, the only folks who haven’t been told about Aquila’s **16 year open pit and underground** mining plan are the DEQ regulators who are busy at this very moment reviewing Aquila’s application for a **7 year open pit mine...**”

SaveTheWildUP.org

MARQUETTE — Grassroots environmental group Save the Wild U.P. (SWUP) is asking Michigan Department of Environmental Quality (MDEQ) to reject Aquila’s Back Forty mine permit application. SWUP has raised alarming questions about false or contradictory statements made in Aquila Resources’ Back Forty mine permit application. Aquila plans on developing an open pit sulfide mine on the Menominee River, extracting rock, processing ore — containing lead, zinc, copper, gold and other heavy metals — with flotation, cyanide and smelting, and dumping their waste on the banks of Upper Michigan’s largest watershed.

The Back Forty mine permit application — over 37,500 pages, including the environmental impact assessment — is currently under review by the MDEQ. Concerned citizens, regional environmental organizations, and the Menominee Tribe of Wisconsin are also scrutinizing the permit.

When reviewing any mine proposal, one basic question that must be answered is, “what is the proposed Life of Mine (LOM)?” In order to correctly calculate a mine’s risks, benefits and cumulative environmental impacts, an accurate LOM estimate is essential. According to Aquila’s permit application, “The (Back Forty) Project will be an open pit mining operation” and the “Life of Mine (LOM) operation is planned to be approximately 7 years.”

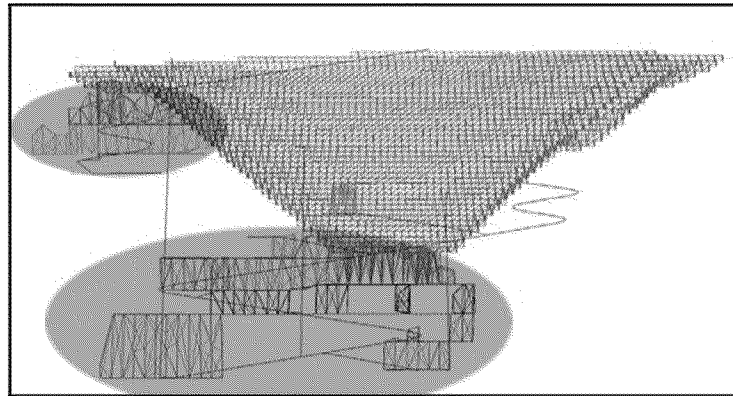
This is misleading. Elsewhere, Aquila describes the Back Forty project as having a “16 year life of mine (LOM), of which 12.5 Mt is open-pit and 3.6 Mt is underground.” Back Forty is described as a 16 year mine in Aquila’s press releases, in communications with the Menominee Indian Tribe, and in letters to investors and local community leaders. According to their Project Fact Sheet: “we support a transparent process(...) visit our website at aquilaresources.com/projects/back-forty-project for more information.” Visitors to Aquila’s website find a 16 year mine described.

“Apparently, the only folks who haven’t been told about Aquila’s 16 year open pit and underground mining plan are the DEQ regulators who are busy at this very moment, reviewing Aquila’s application for a 7 year open pit mine,” said Kathleen Heideman, SWUP president.

Significantly, the 16 year LOM is described in Aquila’s current NI 43–101 report (see figure below), required by Canadian Securities Administrators. “Aquila’s NI 43–101 report should be used by Michigan

regulators to truth-test whether this company is being ‘open and transparent’ concerning the Back Forty project,” said Michelle Halley, Marquette attorney and member of Save the Wild U.P.’s advisory board.

Figure 1.8 Underground Mine Integrated with Open Pit



Is Aquila Lying To State Regulators? Should DEQ Care?

Aquila’s application asserts that mining and milling facilities are *scaled to accommodate the life of the mine*. By minimizing LOM, the company can misrepresent all of the mine’s impacts, including tailings capacity, size of waste rock storage areas, total limestone needed for neutralizing total waste rock, total need for importing and storing cyanide and other chemicals used in the processing of the ore, total crushing and processing throughput, milling equipment capacity, water treatment plant capacity, dewatering and draw-down estimates, air pollution quantities, noise, pit backfilling estimates, remediation planning, post-closure timelines, and more.

“The Back Forty mine application raises more red flags than I can count — endangered oak savannas, sturgeon fisheries, treaty-protected natural resources, and indigenous archaeological sites **will be** threatened or destroyed by this mining operation. Sulfide mines are known to pollute indefinitely. This mine doesn’t belong on the Menominee River,” said Alexandra Maxwell, SWUP’s executive director.

By claiming that “no underground mining” will occur, Aquila’s application sidestepped valid regulatory concerns under Michigan’s Part 632 rules governing sulfide mining. In the application checklist, underground items were marked “not applicable,” and Aquila skipped questions about *Subsidence*, *Impacts to Public or Private Water Supply Wells*, *Closure of Openings* and more, stating “project does not include an underground mine as such contingency planning for subsidence is not required.” In the permit application, Aquila flatly states “underground mining was considered but rejected (...) underground mining is not a prudent alternative for this ore body. The shallowness of the ore body, specifically the shallow ore zones, heavily influences the effectiveness of open pit mining.”

5.5.5 Subsidence Mitigation (203(c)(xi))

The Project does not include an underground mining plan, as such caving or unplanned subsidence will not occur within the Project Area. The pit will be backfilled during the reclamation phase of the project. Backfilling will incorporate engineered components to reduce long-term settlement and will minimize unplanned subsidence. Further discussion of the pit back fill plan is provided in Section 6. Pit surface subsidence will be mitigated by using “best practices” fill placement techniques such as lift thickness control and compaction.

5.5.5.1 Planned Subsidence (203(c)(xi)(A))

There will be no planned or intentional caving or subsidence in the reclaimed mine pit area. The long-term settlement of surface soils in the area of the backfilled pit is estimated to be less than 30 cm. The small amount of subsidence expected within the backfilled pit will have negligible affect to the pit closure plans. The subsidence design calculations are presented with the *Treatment and Containment Plan for Tailings and Waste Rock* provided in Section 6.

5.5.5.2 Provision to Prevent Impacts to Public or Private Water Supply Wells (203(c)(xi)(B))

Locations of public and private wells within and surrounding the Project Area are shown on Figure 5-3. Provision to prevent impact to these wells is described in Sections 5.3.4 and 5.3.5. No public wells are located within the Project Area. All private wells within the Project Area are owned by Aquila. The Project does not include underground mining, consequently, impacts to public and private wells resulting from underground mining will not occur.

5.5.5.3 Provisions to Assure Underground Mining Shall not Cause Material Damage to Structures and Natural Features (203)(c)(xi)(c)(d)

The Project does not include underground mining, consequently, material damage to structures or natural features resulting from underground mining will not occur.

“Actually, Aquila hasn’t ruled out underground mining anywhere else — only in their permit application. Are they talking out of both sides of their mouth?” asked Heideman. “It totally undermines their credibility.”

resource block data.

- **Open Pit Cut Off:** Cut off values based on metallurgical type for the open pit mineral resources were US\$25 for flotation and US\$39 for hydrometallurgical or leaching. Average cut off values for the open pit mineral resources were US\$27.75.
- **Outside of Pit (Underground) Cutoff:** Cut off values based on metallurgical type for the underground mineral resources were US\$65.50 for the flotation and US\$79.50 for the hydrometallurgical type. Average cut off values for an underground mining scenario were US\$66.45.
- **Net Smelter Return Estimation:** The Back Forty is a poly-metallic deposit with each metal contributing to the value of the mineralization. The mineral resources are therefore reported by

“The Aquila Back Forty project must not be permitted on the basis of a fraudulent permit application for a short-lived open pit mine, only to have the company request endless revisions until Back Forty’s open pit gradually morphs into an unrecognizable and potentially unregulated underground mine,” warned Maxwell.

The Back Forty mine permit application for a 7 year mine appears misleading and inaccurate at best, and fraudulent at worst. Aquila’s clear intent — expressed in every document except their mining permit application — is to develop a 16 year mine. Tacking on a subsequent underground mining phase could increase the mine’s life by a factor of 129%, forcing major and non-public-involved revisions to every aspect of the permit application currently under review by the State of Michigan.

“If Aquila affirms that this 7 year open pit LOM is accurate, and defends the permit application, all public statements containing the Back Forty’s 16 year life of mine estimate should be viewed as baseless or fraudulent statements, designed to attract investors and gain greater political and community support,” said Heideman.

“Misinformation about the ‘life of mine’ is pervasive in this permit application. We are asking DEQ regulators to act promptly to dismiss Aquila’s mine permit application, given their inaccurate and highly misleading statements. Public trust in our regulatory process is at stake,” said Maxwell.

IMAGE SOURCES

Illustration 1: Technical Report (“NI 43–101”) on Aquila’s Back Forty Project, as required by Canadian Securities Administrators, figure 1.8, Underground Mine Integrated with Open Pit.

Illustration 2: Aquila Resources, Back Forty Mine Permit Application to Michigan DEQ, submitted November 12, 2015; Volume I., page 35 of 112.

Illustration 3: AQUILA RESOURCES INC. MANAGEMENT DISCUSSION AND ANALYSIS, dated November 12, 2015 (investor materials):
<http://aquilaresources.com/wp-content/uploads/2015/11/Aquila-MDA-Sept-30-2015-FINAL.pdf>